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The Hon. Grant Devine
Premier of Saskatchewan

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Minister of Finance

Contents

The Challenge Ahead

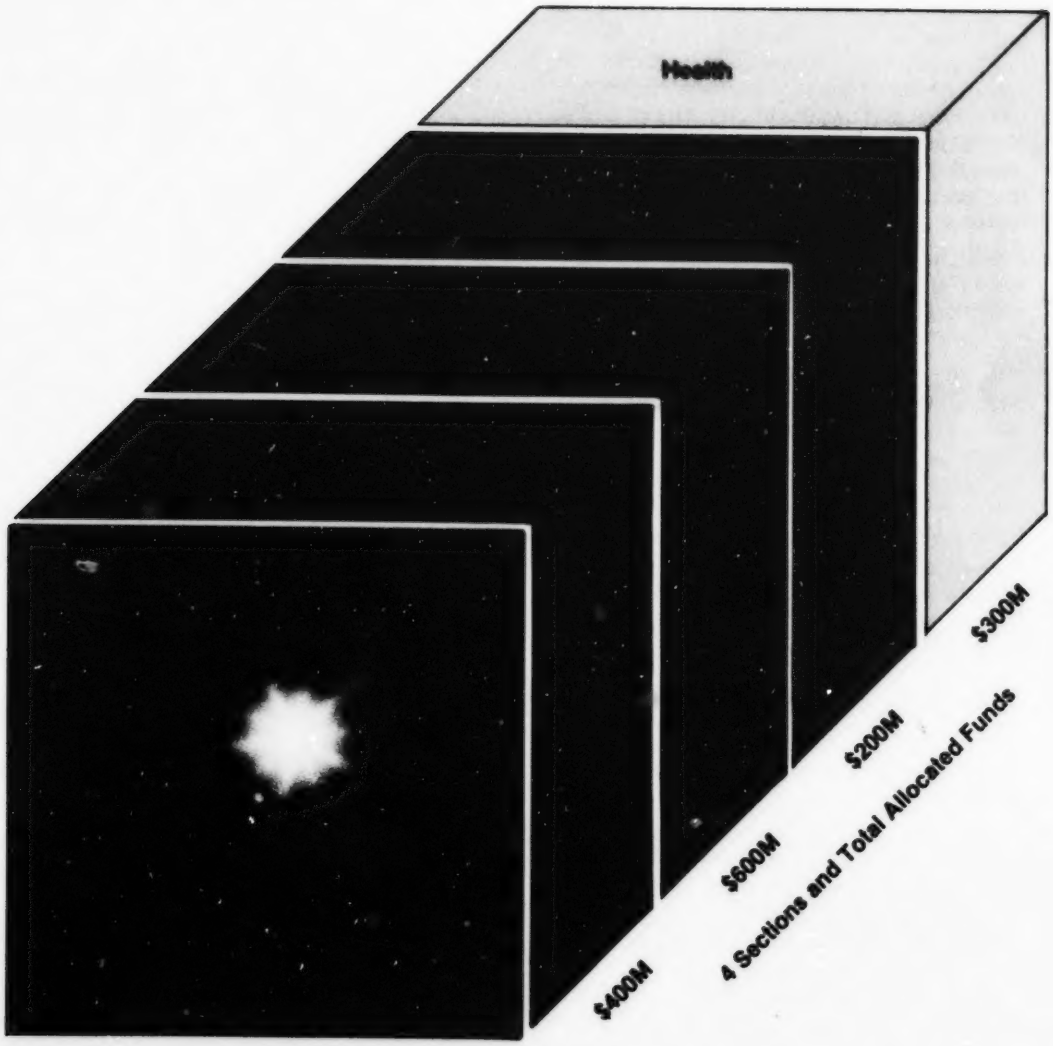
Education: The Next Five Years

Employment Development Strategy

Challenges in Agriculture

Health Care: The Next Five Years

5 Year Partnership For Progress



Total $1,500M

The Challenge Ahead

Introduction

This paper introduces a new approach to public sector budget making. The purpose of the paper is to propose a program of joint action between government and interested individuals and organizations. The objective is to develop co-operatively a five-year blueprint for innovation and development in four sectors critical to Saskatchewan's future prosperity:

- Education
- Employment
- Agriculture
- Health Care

It is the province's intention and desire to develop this five-year program jointly with all who will be directly affected. Consequently, the proposals contained in this paper are presented for discussion with the individuals and organizations involved in these four sectors.

In the following weeks and months, the Ministers of the Departments involved will hold consultations with interested individuals and groups. These discussions will form the basis on which specific proposals and time-frames will be agreed upon.

In the material that follows, the province seeks to do three things:

- First, the government wishes to develop a broad agenda for innovation and development in each of the four sectors. This agenda is designed to be achievable over a five year period.
- Second, the government will propose a financial framework within which this agenda can be accomplished. The framework will consist of both a major commitment of funds by the province, and a proposal for contributions by the individuals and organizations affected. In the latter case, this contribution may be either in the form of direct financial support, or in the form of a commitment to increased efficiency and productivity.
- Third, the government wishes to establish a joint enterprise with the groups involved in each sector, so that the specific agenda can be developed co-operatively and pursued together.

A. The Economic Challenge

It is apparent that over the next five years, Saskatchewan, along with the rest of Canada, will face the challenge of pursuing economic development in a rapidly changing world. And in fact, the challenge will be particularly critical for Saskatchewan, because so much of what we produce is exported abroad.

The forces bringing about this change are already at work. The rapid spread of computer technology offers many less developed countries an opportunity to compete effectively with more industrialized nations. The combination of space-age technology and cheap labour increasingly enables these countries to mount an effective challenge in markets we have traditionally relied upon. Automobiles and steel from Korea and sophisticated electronic products from Taiwan, Mexico and Singapore are now being marketed successfully in Canada.

Increasing competition, however, will also come from our traditional competitors. The movement toward greater free trade between Canada, the United States and the Common Market will translate into greater pressure for our industries to reduce costs

and improve productivity. This will require greater innovation, adaptation and utilization of state of the art technology.

Generally speaking, we have been slow in introducing new technology. Presently, it takes approximately five to ten years for Canadian firms to utilize available technology to increase their productivity. Our competitors, however, are introducing productivity-enhancing technology in half this time. Between 1977 and 1983, when compared to 13 industrialized countries, Canada scored the smallest increase in total manufacturing productivity. Canada had a total increase of less than 8%; the U.S. increased by 12% and the Common Market Countries improved on average by 17%.

The so-called "green revolution" is another factor that Saskatchewan must take seriously. Only 20 years ago, most eastern and third world countries were heavy net importers of food. Today, with the exception of Africa and the Soviet Union, almost every one of these countries has reduced its need to import food through increased productivity and use of modern agricultural techniques. China, for example, has doubled its wheat production in the last 7 years by such means.

The nature of the challenge presented by these external forces is clear. It is not enough for us to concentrate on improving our future productivity relative to our own past performance. We also have to improve relative to our competition. The lesson of history is clear on this subject. In time of rapid upheaval and accelerated change, those who fall behind temporarily tend to stay behind permanently.

B. The Social Challenge

Just as there are forces of economic change at work, so there are pressures on our major social institutions.

Some of these are a direct consequence of the technological revolution. Thus if our children are to find jobs and make their way in modern society, it is critical that they learn about and understand computers. Our neighbours understand this: in 1981, 18% of public schools in the U.S. had computer programs and equipment; by 1984 the number had climbed to 85%.

We must also come to terms with demographic pressures. Between now and the end of the decade, the number of senior citizens in Saskatchewan will increase by 25% and comprise 14% of our population. And as the "baby boom" works its way through the system, this aging trend will accelerate. This will have a serious impact on the health care system, since almost half of all health care expenditures are already accounted for by senior citizens.

Finally, we must find a way to come to grips with the most critical social problem of the day - persistent, high unemployment. While Saskatchewan is fortunate to have relatively less unemployment than the rest of Canada, the economic and social cost is nevertheless unacceptable. The problem is particularly acute among our young people. Some means must be found to deal with this problem, not just here in Saskatchewan, but at a national level.

Priorities

In order to deal effectively with the issues described above we must first decide what our most important priorities are as a society.

And, if we are to act decisively, we must keep our priorities simple. If we try to be all things to all people, we will diffuse our effort without achieving our objectives. As a basis for discussion, and as a point to begin from, the government proposes to identify the following objectives as immediate priorities.

Education

The most important factor in determining whether a young person finds a job is the quality of education he or she receives. If the creation of jobs for our young people is our most important long-term goal, then strengthening our education system is the place to begin.

Employment Development

While a good education is the key to employment, there is much that government can do to help young people find that all-important first job. We must also work to ensure long-term economic expansion, because a growing and prosperous economy is the best guarantee of stable permanent employment. This must be a priority.

Agriculture

Agriculture is, and will remain, the backbone of the Saskatchewan economy. And the family farm is the foundation of our society. There can be no lasting prosperity without a strong farm economy, and with a strong farm economy comes long-term economic growth and stability. Given the challenges faced by agriculture today, this must be a priority.

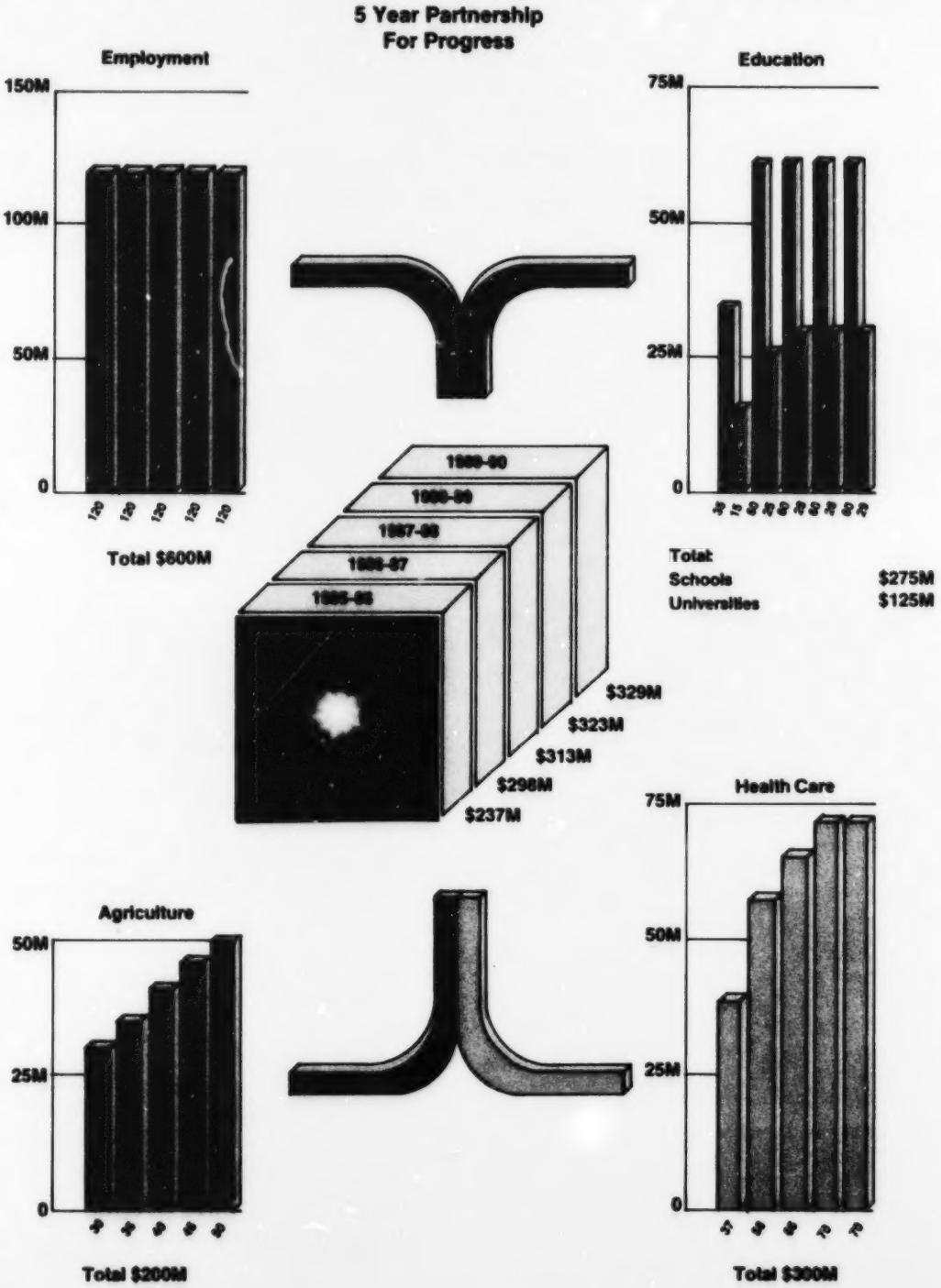
Health Care

Finally, the demographics of aging will require us to focus our attention on health care. If we do not maintain and expand our basic health care institutions, we will be caught unprepared by the increasing demand we know to be coming. While this is a major undertaking, a start must be made now.

The Need For Partnership

If genuine solutions are to be found, and decisive action taken, government cannot act alone. A partnership of combined interests is required to find answers that are acceptable to all.

The government of Saskatchewan wishes, with the issuing of this paper, to extend an



invitation and a challenge to all involved to act jointly with government in the pursuit of these priorities. The Ministers responsible will be holding consultation sessions in the months ahead to work out this process of participation and co-operation.

Financial Framework

In previous years, it has been the practice in Saskatchewan for governments to announce funding commitments only for the 12 months ahead. This has seriously curtailed the ability of third parties to plan effectively for the longer term.

This paper represents a major departure from that tradition. It is the intention of the government to lay out a five-year financial framework within which all, or the majority, of the goals identified can be achieved.

In global terms, the province is proposing to allocate $1.5 billion over the next five years toward achieving these goals. This money will be distributed as follows:

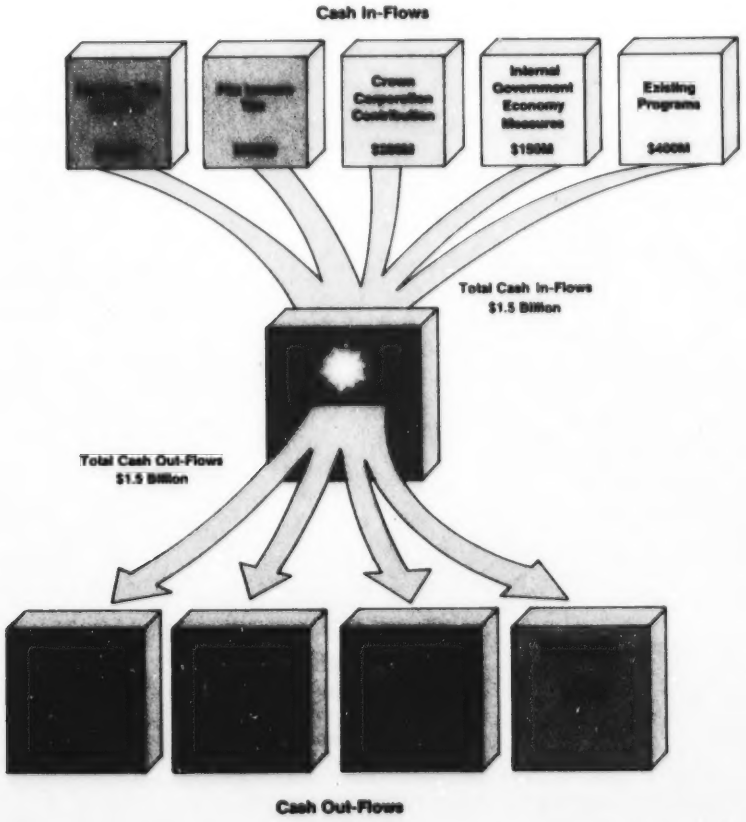
Education	$400M
Employment Development	600M
Agriculture Development	200M
Health Care	300M
Total	$1.5B

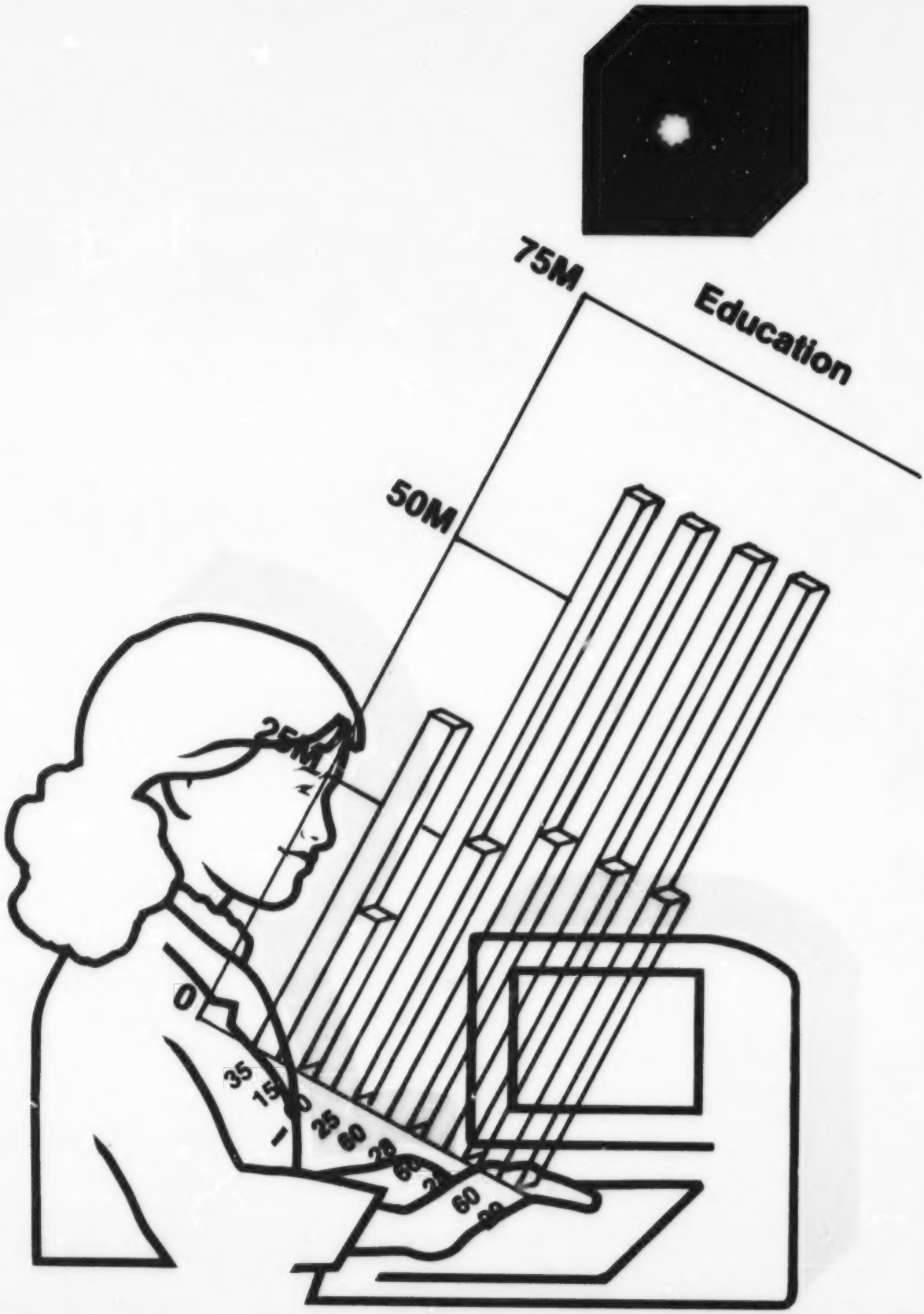
The government is proposing to work jointly with the groups and individuals involved to develop specific plans for the allocation of these funds. The government will also ask these groups, where appropriate, to contribute to these funding arrangements. The contribution may be either in the form of revenues raised, or in the form of increased efficiency measures.

To finance the $1.5 billion which represents the province's contribution, the government will take the following measures:

- The property tax rebate programs have been eliminated. This will make available $400 million over five years;
- A flat tax of 1% has been levied on net personal income. This will yield $350 million over five years;
- Crown Corporations will be asked to contribute at least $200 million;
- Internal economies within government will yield at least $150 million; and
- A number of existing programs, costing about $400 million, are being incorporated in the Fund.

Financing of the Fund




75M
Education
50M
25M
0
35
15
60

Education: The Next Five Years

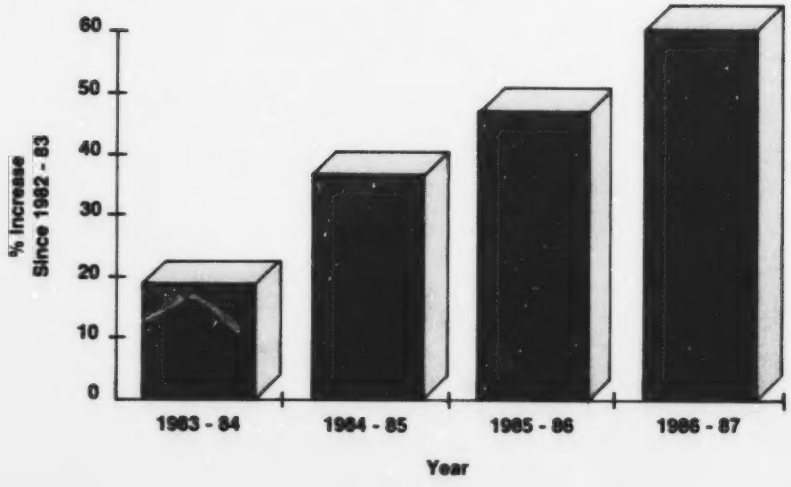
Introduction

Our education system is one of the key elements in the intellectual and social development of our young people. In Saskatchewan, this system consists of our primary and secondary schools, community colleges, technical institutes, and universities. Each has a unique responsibility to provide our children with the skills and aptitudes necessary for them to take their place in an increasingly complex and competitive society.

Since 1982, the Government of Saskatchewan has initiated several strategies to respond to the education needs of today and the challenges of tomorrow. These include:

- A four-year plan to spend $120 million to expand the number of training spaces in our technical institutes by almost 60 percent;
- The creation of the Advanced Technology Training Centre in Saskatoon to meet the skilled manpower needs of the high technology industry;
- The completion of "Directions", a two-year study of curriculum and instruction in the K-12 system;
- The provision of 3,500 training opportunities in community colleges for unemployed youth; and
- The construction of the Geological Sciences Building and the completion of

Technical Institute Expansion
(training capacity)



the Engineering Building at the University of Saskatchewan.

In all, over $640 million was spent in 1984-85 on the maintenance and improvement of the Saskatchewan Education system. In 1985-86, this commitment will grow to $700 million, an increase of over 8 percent.

But what of the future? If we are to ensure that the education system has the flexibility to adapt to changing circumstances and future challenges, we must embark upon a process of renewal and development in our primary and secondary schools and our universities.

It is the desire of the Government of Saskatchewan to initiate this process in consultation and co-operation with all participants in the education community - parents, educators, students, administrators and others. Together we can ensure that the education system, one of our key social institutions, is able to adapt to future needs.

The Challenges

Several factors will shape the course of education in Saskatchewan during the remainder of this decade and beyond.

A. The Economic Challenge

Future economic growth will depend, to a considerable extent, on the quality of education we provide to our youth. The changing economic environment is creating a setting in which the highly skilled and highly educated are at a significant advantage.

Frequently, it is those with superior skills who find it easiest to secure employment, and to adapt as the nature of the workplace changes.

To compete effectively, Saskatchewan employers will require a more highly educated labour force. Demands will be placed on our education system to provide students with:

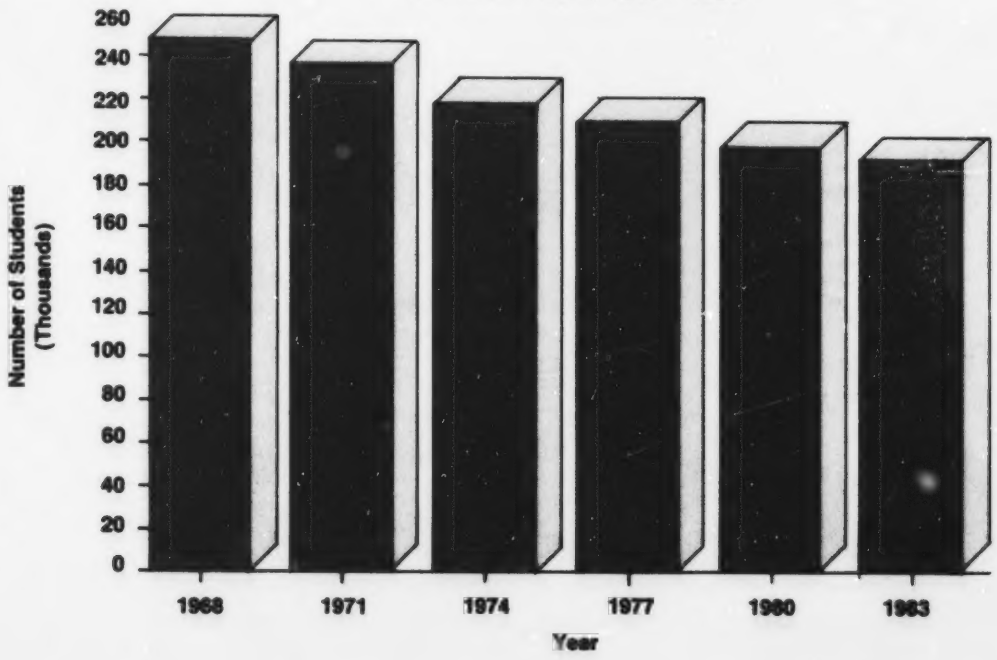
- A high level of basic skills that include the ability to read, write, reason and compute;
- Specific, marketable skills that are consistent with the future needs of employers; and
- Programs that respond to the needs of individual learners.

These requirements raise a number of questions: what should be taught in our schools and universities, and how should it be taught? What should be added and what should be discarded from our current K-12 and university curriculums?

B. The Demographic Challenge

Although enrolments in the K-12 system have declined by more than 22 percent since the late 1960s, the trend is slowly reversing itself and enrolments are expected

K-12 Enrolment, 1968 - 1983



to increase modestly to the end of this decade. This reversal, however, will have little impact in most rural areas where school authorities will continue to confront the problem of providing education programs to small numbers of students.

On the other hand, enrolments at our universities have increased by over 30 percent since 1980. It now appears that enrolments have peaked and will remain stable or decline in the future. However, the future composition of students as between the traditional 18 to 24 age group, and older adults and part-time students, is unclear.

To be successful, our education institutions will have to be flexible and adaptable in responding to these shifts in demographics and participation rates.

C. The Technological Challenge

We are living in a period of rapid technological change. In the long run, these advances will provide benefits to society as a whole. But in the short run, these advances challenge our education institutions to remain competitive in both the classroom and the research lab.

In the classroom, basic computer literacy is a future necessity for all students. Our ability to adapt to future advancements in this area is paramount to ensure quality education for our province's young people.

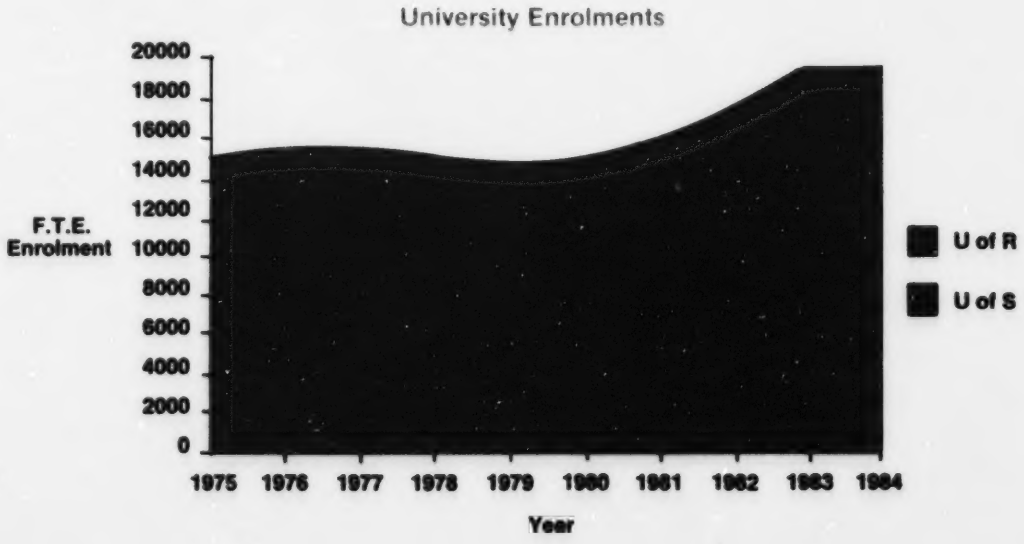
In the research lab, we can build on our strengths in areas of particular importance to the province. We must focus our efforts to place us on the forefront of scientific and technological developments.

D. The Fiscal Challenge

This is also a time when all levels of government are experiencing financial pressures.

While we recognize the key role of education in our province's future economic and social development, we must also recognize the need to provide quality education more efficiently and effectively. Incentives for efficiencies must, therefore, be developed and implemented.

The quality of our education system must be measured not by the amount of resources flowing into it, but rather by the educational achievements of the students coming out of it. While additional funds will



be required, there is more to providing quality education than this alone. We must ensure that we are adapting quickly, using our resources to meet and conquer the challenges we face.

The Next Five Years

If our education institutions are to rise to these challenges, they must be flexible and adaptable. And they must have the support of all involved - parents, students, educators and government.

In order to assist the education system in preparing for the future, a longer-term framework is required. We believe it is unreasonable to continue the current regime of annual announcements of funding increases. This creates an impossible planning horizon and inhibits the system's ability to adapt.

Consequently, the Government of Saskatchewan is proposing to move towards a five-year planning framework. We are making a commitment to inject $400 million during the next five years to assist school boards and universities to prepare for the future. The proposed approach is based on the creation of a new Education Endowment Fund which will have two components:

- The Education Development Fund; and
- The University Renewal and Development Fund.

The establishment of these funds will enable our school boards and universities to develop five-year plans based on the assurance of financial stability and certainty.

This commitment to financial strength, however, must be based on a reciprocal approach. In exchange for the certainty and stability of funding, the province is requesting certain commitments from both school divisions and universities. The government seeks:

- A commitment to establishing a consultative forum based on both a co-operative approach and the concept of shared financial responsibility;
- A commitment to the development of accountability mechanisms providing full disclosure to the public as to the allocation of resources and improvements in the quality of education;
- An agreement that teachers and professors will hold the line on salary increases so that the students themselves get maximum benefit from new funds;
- A commitment to fiscal prudence; and
- The development of five-year operating and capital plans consistent with the financial commitment being made by the government.

Throughout this process of renewal and development, the autonomy of our education community will continue to be respected.

The following two sections describe in greater detail the specifics of each of the components of the Fund and the parameters of the province's financial commitment.

The Education Development Fund

The Government of Saskatchewan will commit an additional $275 million over the next five years to provide improvements to the education system for kindergarten to grade 12 students.

During 1985-86, grants to the K-12 system will be increased by $35 million or by nearly 10 percent. This incremental money will be allocated for three purposes:

- $17 million will be distributed to school divisions on an equitable basis in accordance with the existing foundation grant formula, to enrich the base operating grant;
- $8 million will be applied to the increased costs of capital debt retirement incurred by school divisions; and
- $10 million will be allocated in the Fund for new initiatives.

In future years, $35 million per year will be allocated for new initiatives.

While variations in grants received by individual school divisions will be affected by enrolment changes and their ability to raise local revenues, the $17 million increase in operating grants should more than match cost increases at the local level. In preparing their budgets, school divisions are asked to minimize mill rate increases.

Since the success of the Education Development Fund will depend on the co-operative efforts of all associated with education, consultation must be initiated in the most appropriate way to meet the objectives we have set for ourselves.

For 1985-86, allocations from the Fund are expected to focus on:

- The financing of approved plans for improving learning resources including the application of computer and other education technologies and the upgrading of library facilities;

- The promotion of efficiency measures through the use of incentive mechanisms in areas such as the consolidation or sharing of services, program cost reductions and energy conservation; and
- Program improvement initiatives such as increasing school effectiveness, monitoring of improvements in basic skills, implementing the recommendations of "Directions", programs for gifted students, and improving student attendance and drop-out rates.

The University Renewal and Development Fund

Currently, Saskatchewan's two universities face a number of problems.

On the operating side these include:

- A funding formula that is insensitive to the different needs of the two universities and which fails to incorporate incentives for efficiencies;
- The need to upgrade and renew research and teaching equipment at both institutions; and
- Recurring deficit problems at the University of Regina.

On the capital side, the universities have requested projects in excess of $200 million, including:

- A new College of Agriculture at the University of Saskatchewan;
- The restoration of the College Avenue Campus, including Darke Hall and the Norman MacKenzie Art Gallery, at the University of Regina; and
- The restoration of the Administration Building on the University of Saskatchewan campus.

These projects are high priorities for the government, for the universities, and for the province. The means to undertake them must be found.

Consequently, the Government of Saskatchewan is creating the University Renewal and Development Fund. This Fund is based on the concept of shared financial responsibility for the pressing problems faced by the universities.

As its contribution to this effort, the province will commit $125 million over the next five years. The 1985-86 commitment of $15 million will be provided in two ways:

- $6.6 million will be allocated to the universities' base operating grant, representing a 5 per cent increase; and
- $8.4 million will be earmarked within the University Renewal and Development Fund for new projects.

In future years, approximately $22 million per year will be available for new projects.

As in the case of the K-12 system, the province is requesting a return commitment from the universities.

The expectation is that the universities and the province will jointly develop five-year plans in a number of key areas including:

- An overall financial plan to achieve an established target for the universities' contribution to the renewal process;
- A university capital plan;
- A staff resourcing and remuneration plan; and
- A program development and rationalization plan.

It is also hoped that, over the five-year period, long-term funding mechanisms can be developed to ensure permanent financial stability for both universities.

Once established, these plans should pave the way for the revitalization and modernization of Saskatchewan's university sector.

While the details of how the Renewal and Development Fund monies will be spent are dependent on the outcome of consultation with the universities, the Government of Saskatchewan is confident that if the universities are willing to match our commitment to change, the means to address their capital and operating needs can be found.

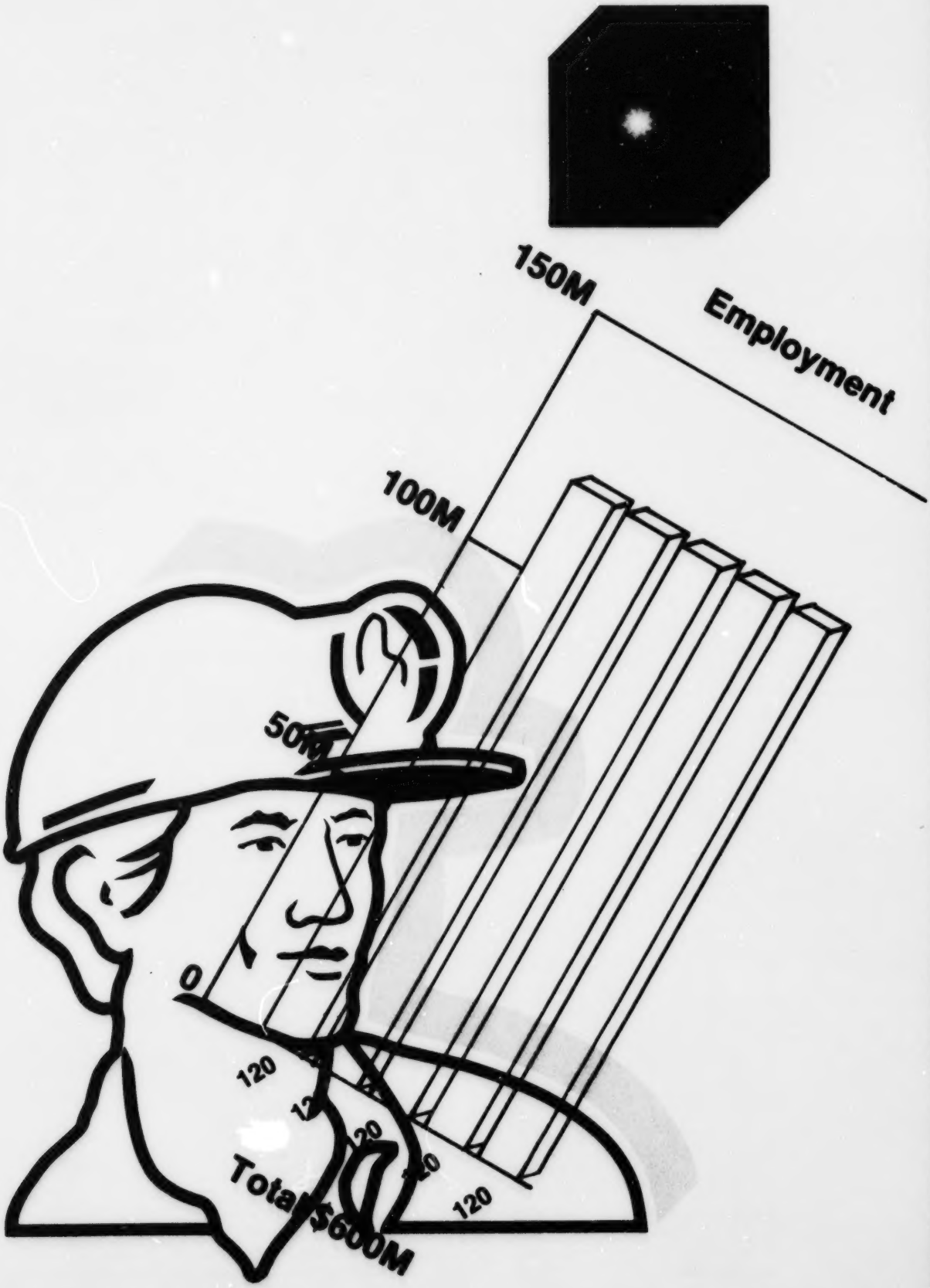
For further information regarding either the Education Development Fund or the University Renewal and Development Fund call or write:

Honourable Pat Smith
Minister of Education
Room 361
Legislative Building
Regina, Saskatchewan

Phone: 565-7360

Honourable Gordon Currie
Minister of Advanced Education
and Manpower
Room 303
Legislative Building
Regina, Saskatchewan

Phone: 566-9355


150M
Employment
100M
50M
0
120
120
120
120
Total $600M

Employment Development Strategy

Introduction: The Origins of the Unemployment Problem

Between August 1981 and October 1982, the unemployment rate in Canada jumped from 6.8% to 12.8%. Similar experiences occured in most of the other western nations. Britain, Holland, Italy and Belgium all suffered peak rates above 12%. Even West Germany, the economic powerhouse of Europe, experienced rates in the 9% range. The rate in the United Stated peaked at 10.7%.

The origins of this problem are by now well known. The rapid escalation of oil prices in the 1970s touched off a massive inflationary spiral in the prices of virtually all goods and services. This spiral peaked in North America in 1981 with annual inflation rates of 12.5%.

To dampen this run-away inflation, governments in both North America and Europe sought to pursue a tight monetary policy, which in turn brought about rising interest rates.

This had the intended effect of finally controlling inflation after a decade of rapid price increases. But the effect of rising interest rates, peaking at 21%, combined with a temporary loss of confidence by the business community, resulted in the recession of 1982-83. The recession manifested itself in falling investment, declines in consumer spending, a drop in commodity prices, a fall in government revenues, and worst of all, a major increase in unemployment.

From a relative perspective, Saskatchewan weathered the storm better than most other jurisdictions. Our unemployment rate has been consistently below the national average.

The graph on the next page shows Saskatchewan's performance relative to the rest of the country.

The Next Five Years: The National Perspective

While the origins of the unemployment problem are generally agreed upon, there is considerable uncertainty about what the future holds for Canada. There is, however, general consensus about what the decisive factors will be in establishing the path our country will follow.

The first critical factor is productivity. If we are to recover the jobs that were lost during the recession, we will have to do so by out-competing the competition. The key to this is our capacity to improve productivity faster than our competitors.

This will not be easy. Between 1977 and 1983, compared with 11 other industrialized nations, Canada scored lowest in productivity increases. While our increase over this period was under 8%, the U.S. increased by 12% and the Common Market countries by 17% on average. Nevertheless, this is a challenge we must accept.

The second critical factor is marketing. As the new computer technology spreads rapidly to less developed nations, we will face aggressive challenges in markets we have traditionally relied upon. If we are to sustain our market share, we must strengthen our sales and marketing efforts.

The third critical factor is spending restraint by all governments. Without some measure of restraint, the danger is that large, rising deficits will soak up more of the available loan capital on the financial markets, squeezing out private investment and forcing a return to high interest rates. This could re-create the whole cycle of recession and unemployment a second time.

If Canada is to solve its unemployment problem over the next five years, aggressive action is required by the federal government to deal with these critical factors. Most are of a national or international character, and require a national solution. The Government of Saskatchewan stands ready to support the federal government on measures designed to deal with productivity enhancement, a more aggressive marketing effort, and appropriate macroeconomic policies.

The Saskatchewan Strategy: Progress to Date

While unemployment is in the final analysis a national, not a regional, problem, there is much that provincial governments can do to improve the situation within their own jurisdictions.

The strategy the Government of Saskatchewan has followed focuses on the three critical stages that a person goes through in preparing for and finding long-term employment.

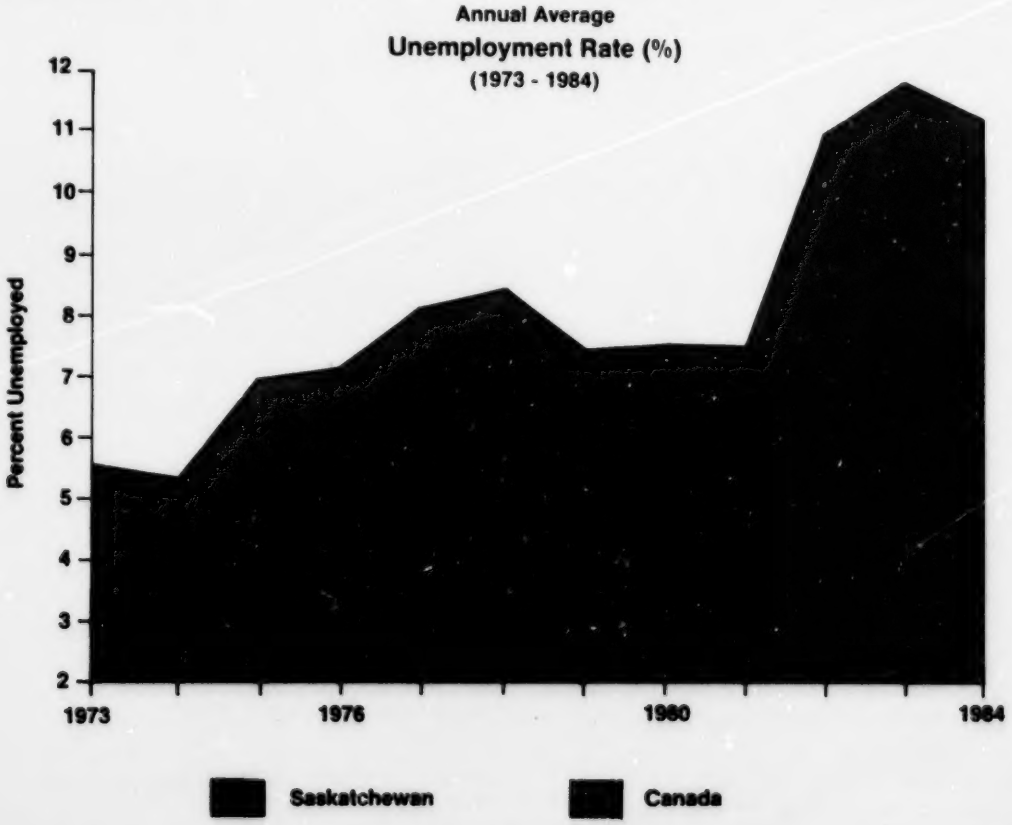
Threshold to Employment

Perhaps the most critical factor in preparing our young people for future employment is a first-rate education. Consequently, the first step in the employment strategy we propose is to strengthen significantly all levels of education in Saskatchewan.

The government began this process two years ago with a $120 million plan to expand technical institute spaces by 60%. This plan is now nearing completion.

This was followed last year by a new program to provide 3,500 additional training spaces in our community colleges for people on social assistance.

Finally, this document contains the most ambitious measure so far in the field of education, with a new, five year proposal to spend an additional $400 million to upgrade the quality of education provided by our school and university systems. In total, these initiatives will invest over $500 million in improving and modernizing the complete range of education programs in Saskatchewan.



Transition to Employment

Once a young person has received a good education, the next critical step toward stable, long-term employment is getting that all-important first job. Here particularly, government can and should play a part. Over the last two years, the province has introduced a number of programs designed to give a stimulus or inducement to business to offer young people jobs. These programs include:

- The Opportunities '83 and '84 programs;
- The Youth Access Program;
- Students in Industry;
- New Careers Corporation;
- The Saskatchewan Employment Development Program;
- The Breakthrough Program.

Combined, these programs have helped create over 10,000 jobs in the last two years.

Long Term Employment

The key to long-term, stable employment is a thriving, expanding economy. Without economic growth, short-term job creation measures cannot ultimately succeed. As indicated in the introduction to this paper, economic development as a long-term goal is partly dependent on policies pursued by the federal government. Nevertheless, there is much that provincial governments can also do to strengthen the development of a sound economic base. The Government of Saskatchewan's strategy for long-term economic growth is divided into two parts.

First, in the short-term we have provided tax relief measures, and direct financial assistance, to ensure stability and growth in key sectors.

The key measures to date have been:

- Introduction of an oil royalty holiday, which has revitalized our oil industry and significantly increased investment and employment in the sector;
- Elimination of corporate income tax on small manufacturing and processing firms, which provided $4 million in assistance to the small business sector;
- Introduction of the Farm Purchase Program which has provided 8% interest rates for 4,000 farmers on $440 million in loans; and
- Establishment of the Counselling and Assistance for Farmers Program which provides financial advice and guaranteed loans to farmers in financial difficulty.

Second, we have introduced a number of measures designed to assist in the longer term development of the provincial economy, including:

- Introduction of the Venture Capital Program which provides tax credits to both individuals and corporations who invest in Saskatchewan small business;
- Introduction of the Livestock Investment Tax Credit designed to stimulate the finishing of livestock in Saskatchewan;
- Enhanced trade promotion activities to assist Saskatchewan manufacturers to compete aggressively in a competitive world marketplace; and
- Sask Oil and Sask Power bond issues which have given Saskatchewan people an opportunity to participate in the activities of our Crown Corporations. Both issues were fully subscribed, and the Minister responsible for Sask Oil recently announced that the rate of return for the first six months on the Sask Oil bonds was 13.3%.

As the graph on the next page shows, this employment strategy has so far proved extremely successful.

The Saskatchewan Strategy: The Next Five Years

The strategy the government proposes to follow in the future is based on the three critical stages discussed above:

- Improved education and training for young people on the threshold of employment;
- Incentives and direct job creation programs for those seeking that all-important first job; and
- Longer term economic development initiatives to build a secure base of stable permanent employment opportunities.

A five-year plan of action for the first of these - education and training - has been proposed earlier in this document.

The government wishes now to propose a corresponding five year plan of action to address the second and third stages of employment development - transitional programs and long-term economic growth.

To finance and direct this plan, the government is creating a new **Employment Development Fund.** $600 million will be allocated to this Fund over the next five years, beginning with $120 million in 1985-86.

In 1985-86, monies within the Fund will be allocated as follows:

1. **Entry to Employment Programs**

- $16 million for youth job creation programs;
- $20 million for initiatives to assist social welfare recipients to enter the workforce; and
- $5 million for other direct employment programs.

2. **Economic Development Initiatives**

- $9 million for the 9 and 5/8ths small business interest reduction program;
- $12 million for other economic development programs; and
- $58 million for capital projects.

Taken together, these initiatives are expected to help create or sustain 22,000 jobs.

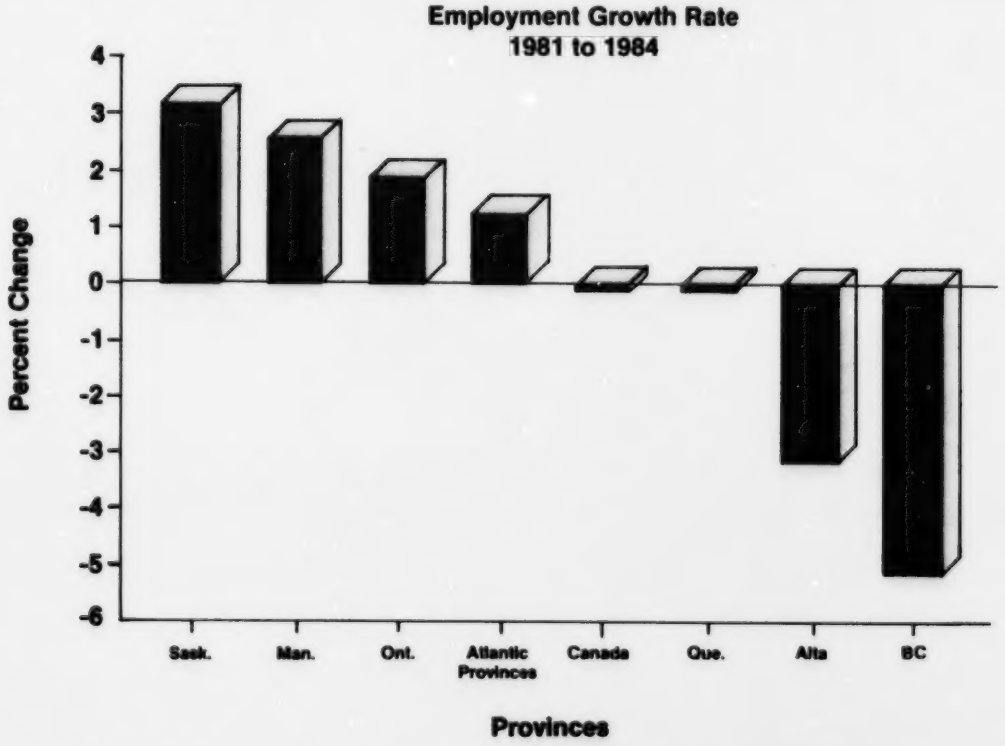
One of the key features in the operation of the new Employment Development Fund will be consultation and joint action with interested individuals and organizations.

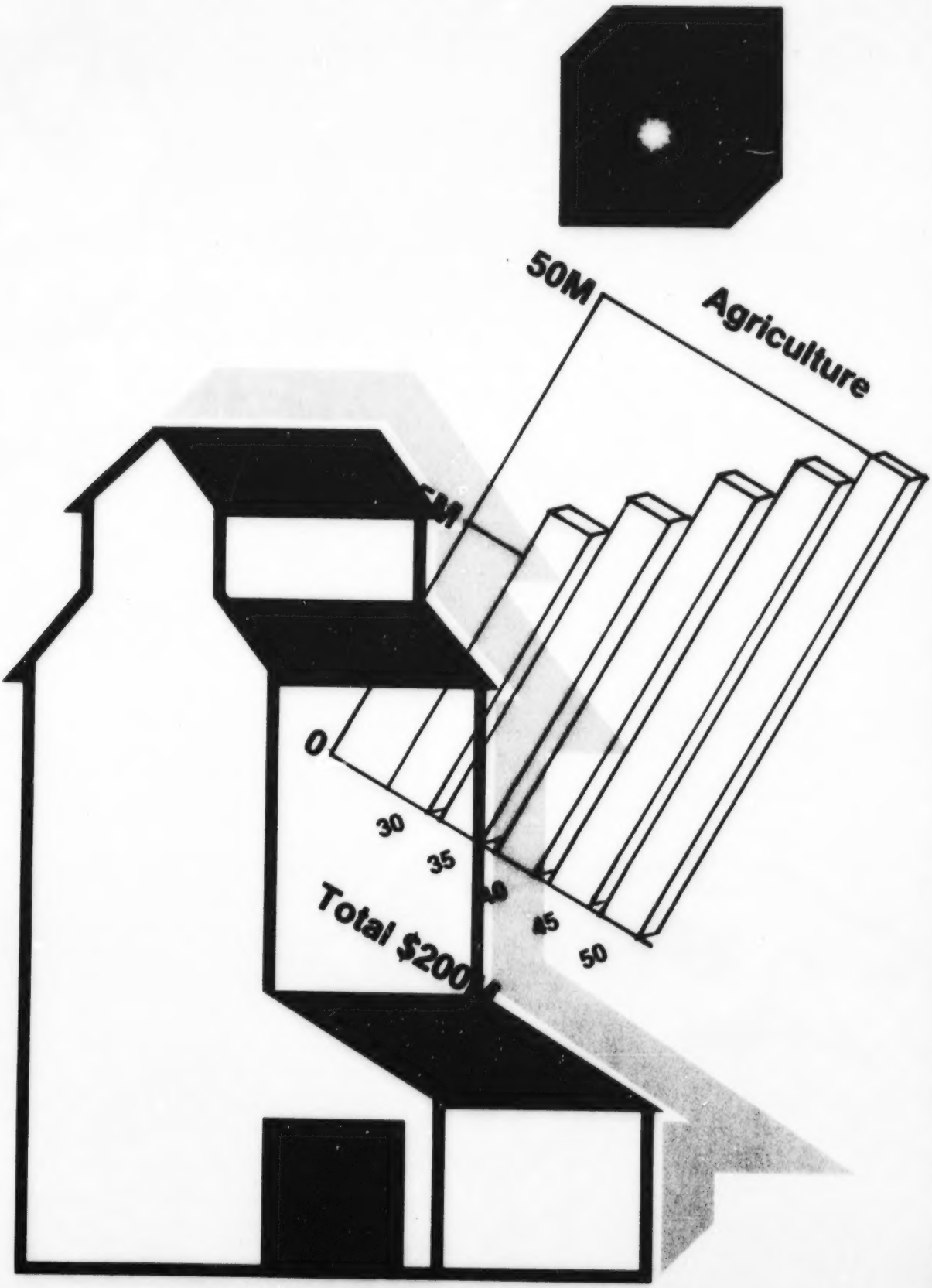
The government is proposing to consult with business, labour and other interested parties in the months ahead as to the best use of the Fund in achieving its objective - maximum possible employment development.

For further information call or write:

Honourable Gary Lane
Minister in Charge of
Employment Development Agency
Room 345
Legislative Building
Regina, Saskatchewan

Phone: 565-5353




50M
Agriculture
0
30
35
45
50
Total $200

Challenges in Agriculture

Introduction

Agricuture today is a $4 billion industry in Saskatchewan. Despite the diversification of our economy in recent years, farming is still the largest single industry in our economy, and will remain so for the forseeable future. Just as important, the family farm is the central social unit that our rural communities are built upon. In both these senses, then, farming is the heart and soul of Saskatchewan.

For this reason, the future progress of our province is closely bound up with the continuing prosperity of our farmers.

Yet, because the industry is divided into some 65,000 separate farming operations, there is sometimes a tendency to lose sight of what makes agriculture as a whole viable.

There is also a tendency, because weather is so critical a factor, to emphasize the unpredictable nature of the business.

Weather is an important, and at times hazardous, factor. And the fact that the industry is divided into a large number of independent units, demands caution when diagnosing problems or seeking solutions.

Yet like any other business, agriculture is dependent on two basic requirements. In the short term, individual farmers must have sufficient cash on hand or credit at the bank to carry on operations. In the longer term, they must be able to produce and market their crops at a price that is competitive in the world market place, and yet profitable at home in terms of their operating costs.

There are thus both short-term and longer-term requirements.

Financing

The major short-term requirement in the farm sector today is financial viability. This requirement has been emphasized by the drought in 1984.

While other sectors of the economy continued to perform as expected, early flooding in the north east and major drought in the south had a significant impact on the agricultural sector in 1984.

The last time such conditions occurred, in the 1930s, a major social and economic upheaval followed.

Thanks to a range of programs designed to prevent such consequences, we need not fear a repetition of what happened in the 1930s. Grain stabilization payouts of $125 million have been made in 1984; additional grain stabilization payments in the order of $250 million or more are anticipated this year. Over $44 million in drought and flood relief has been paid already. Crop insurance payments of $257 million have been made to offset effects of the drought and other perils.

Taken together, upwards of $700 million will have been mobilized to fight the effects of the floods and drought in Saskatchewan. As a result, while the farm economy has suffered some inevitable consequences of the drought, our farmers remain confident and ready to face the new crop year.

The stabilization and crop insurance programs are the major short-term financing mechanisms designed to assist farmers. However, since 1982, the Government of Saskatchewan has

introduced some important additional financing assistance:

- The Farm Purchase Program which provides 8% interest rates to new and developing farmers;
- An investment tax credit for the livestock industry, 8% interest rates on livestock purchases, and a Feeder-to-Finish Beef Stabilization Program;
- Operating loan guarantees to assist farmers caught in the cost-price squeeze; and
- The Farmland Security Act, which established a moratorium on farm foreclosures and has provided farmers in severe financial difficulty with both a breathing space and a fair and impartial review of their financial affairs.

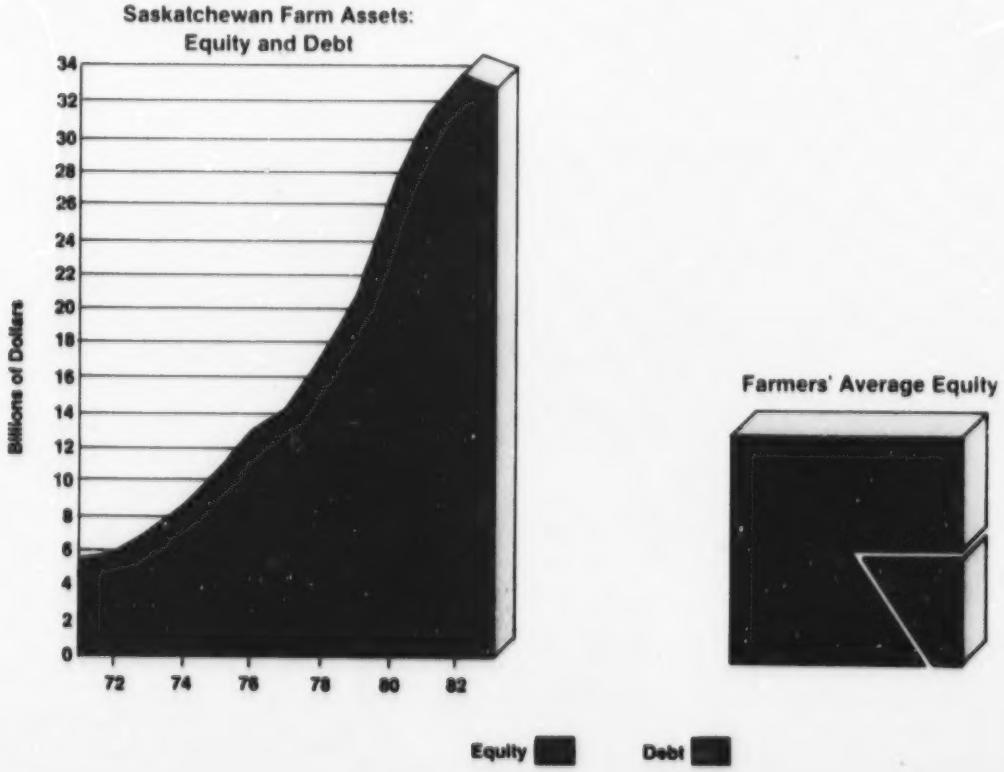
In 1985, the first priority for government is to see that any farmer in a potentially viable position who wants to put a crop in, is able to do so. Three initiatives are underway to provide this assistance:

- First, a major expansion of the Counselling and Assistance for Farmers Program has been introduced to provide an additional 1500 farmers with loan guarantees on $120 million in loans. Guarantees will be provided on loans up to $200,000;
- Second, Agricultural Credit Corporation clients who obtained loans between April, 1980 and December, 1983, will have their loan rate reduced from 14 percent to 12 percent. As a result, 1,000 farmers will receive a total of almost $4 million in interest relief; and
- Third, the Farm Purchase Program will be extended for an additional year. Interest rate subsidies will be provided on an additional $200 million in loans to 1,800 farmers. This will extend total program coverage to 5,800 farmers and $640 million in loans.

These programs are designed to respond to immediate financing needs. They will help ensure that the industry as a whole remains viable and in a position to meet changing conditions. With this solid foundation of financial support, farmers may plan for the future with more confidence.

There is a second issue of concern related to financing, one of a more long-term nature - servicing the future capital requirements of the industry.

The following chart indicates that between 1971 and 1983, the value of farm assets in Saskatchewan increased by almost 500% to $32.6 billion. While total outstanding debt increased by 400% during the same time



frame, the equity position of the industry remained relatively constant, and healthy, in the 86% range.

It is anticipated that the capital requirements of the industry will continue to be substantial. It is also anticipated that the costs of servicing capital investment will remain relatively high.

This suggests that new means must be found to raise additional quantities of reasonably-priced, long-term capital.

A variety of innovative farm financing mechanisms, such as Agribonds and a Registered Agricultural Savings Plan, are currently being discussed within the industry. The Government of Saskatchewan is proposing to pursue these and other options with the federal government, in close consultation with farmers, agri-business and financial institutions. Our objective is to develop a range of new financing vehicles which meet farmers' capital needs for the future.

Productivity

The 1970s saw unprecedented growth in demand for agricultural products. During this period, world grain consumption increased by nearly one-third, and oilseed consumption by one-half.

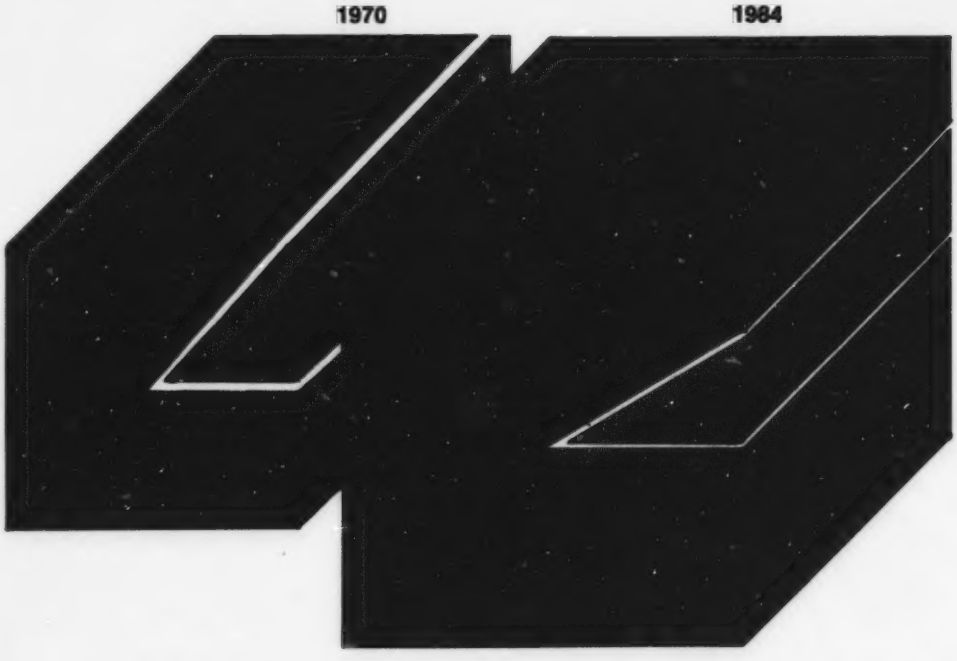
Saskatchewan farmers responded to market signals by maximizing land under cultivation. Substantial investments were made in land and machinery. Livestock numbers dropped in response to the more lucrative grain option. At the end of 1981, cattle numbers in Saskatchewan had declined from a high of 3.3 million to 2.3 million and hog numbers from 1 million to 0.5 million.

However, at the same time that world demand was growing, there were also under way a number of fundamental structural changes in world markets. The effect of these was to increase the share held by previously smaller participants in the world market, including many third world countries. This is attributable to the rapid gains in productivity being made by many of these countries with the spread of new technology.

Between 1970 and 1984, world grain production increased 47% to 1624 million tonnes. During this same period, Canadian grain production increased by 58% to 42 million tonnes.

However, the following chart indicates that Canada has not fared as well comparatively when grain exports, as opposed to grain production, are considered.

Between 1970 and 1984 world grain exports increased 83% to 207 million tonnes while Canadian exports increased 37% to 21.5 million tonnes. As a result, the Canadian market share has decreased from 14.3% in 1970 to 10.3% in 1984.



Canadian Share of World Grain Exports

This increasingly competitive world market raises the major long term issue for Saskatchewan agriculture - productivity enhancement. Our farmers must be able to produce commodities at a price that is competitive in the marketplace and which is profitable in terms of their own operating costs.

Some consensus has formed around the following general indicators for the next five years:

- Commodity markets are unlikely to strengthen rapidly due to the difficulty of importing countries in financing purchases, and due to increasing production in grain exporting countries and in some formerly import-dependent countries; and
- While real prices will be fairly stable, unit input costs will continue to rise, thereby extending the current cost-price squeeze.

However, while future growth in world trade will be slower than during the 1970s, this does not mean that opportunities will not exist for Saskatchewan agriculture. It **does** mean that Saskatchewan farmers will have to improve their competitive position.

The Next Five Years

The road for Saskatchewan agriculture to a strengthened competitive position is through enhanced research and development efforts. We must begin now to take a dynamic, forward-looking approach to development, to enable the industry to capitalize on future opportunities.

The government is prepared to play its part in funding the development and proving of new technologies, to ensure that improved farm management practices are effectively made available to the producer. We also want to call on producers to accept the challenge of introducing new techniques and practices into their operations.

Saskatchewan agriculture has many opportunities to enhance its production efficiency. These include:

- A potential for higher yields through improved fertilizers and herbicides, and better methods of application;
- An opportunity to use higher yielding crop varieties - the recently licensed HY320 being a prime example;
- Greater feed efficiency and improved methods of disease control, resulting in cost reduction in livestock production;
- Soil conservation, water management and irrigation, which will be fundamental to the long-term vitality of Saskatchewan agriculture;
- More intensive cropping practices and extended crop rotations; and
- Opportunities in secondary industry development which must be explored.

Market development and intelligence must be essential ingredients of an aggressive agriculture strategy. Finding the least cost method of getting our products to market through technical improvements in product handling and removal of counter-productive regulations will be part of the marketing challenge.

Identifying potential opportunities is not a problem. It is a matter of selecting and implementing the best of these opportunities in an organized manner. The government believes that picking the winners rightly belongs in the private enterprise sphere with the marketplace being the final arbiter. However, it is up to government to provide the climate and infrastructure that facilitates decision making and implementation by our farmers.

Meeting the challenges facing Saskatchewan agriculture over the next five years will require both vision and a willingness to accept change. It will require a concerted and co-operative effort by farmers, agri-business and all levels of government. And it will require comprehensive planning and a significant financial commitment.

Agriculture Development Fund

In 1985-86, the government is introducing a five year $200 million Agriculture Development Fund designed to finance the research, development and demonstration activities necessary to support farmers' efforts to improve their competitive position.

The Development Fund will support a broad range of initiatives related to:

- Crop intensification;
- Livestock productivity improvement;
- Soils conservation;
- Irrigation development; and
- Information and management systems development.

In 1985-86, the provincial government will directly contribute $21 million to the Fund. Over five years, the total provincial commitment will be $150 million. The federal government and producers will be invited to contribute both to the establishment of funding priorities and to the financing of a portion of the Fund itself. The federal government has currently

committed up to $30 million through its participation in the Canada-Saskatchewan Economic and Regional Development subsidiary agreement on Agriculture.

The Minister of Agriculture will be consulting with farm groups and organizations throughout the summer on what these programs and priorities should be. It is the government's desire to develop co-operatively with the producer, programs of practical and lasting value on the farm

For further information call or write:

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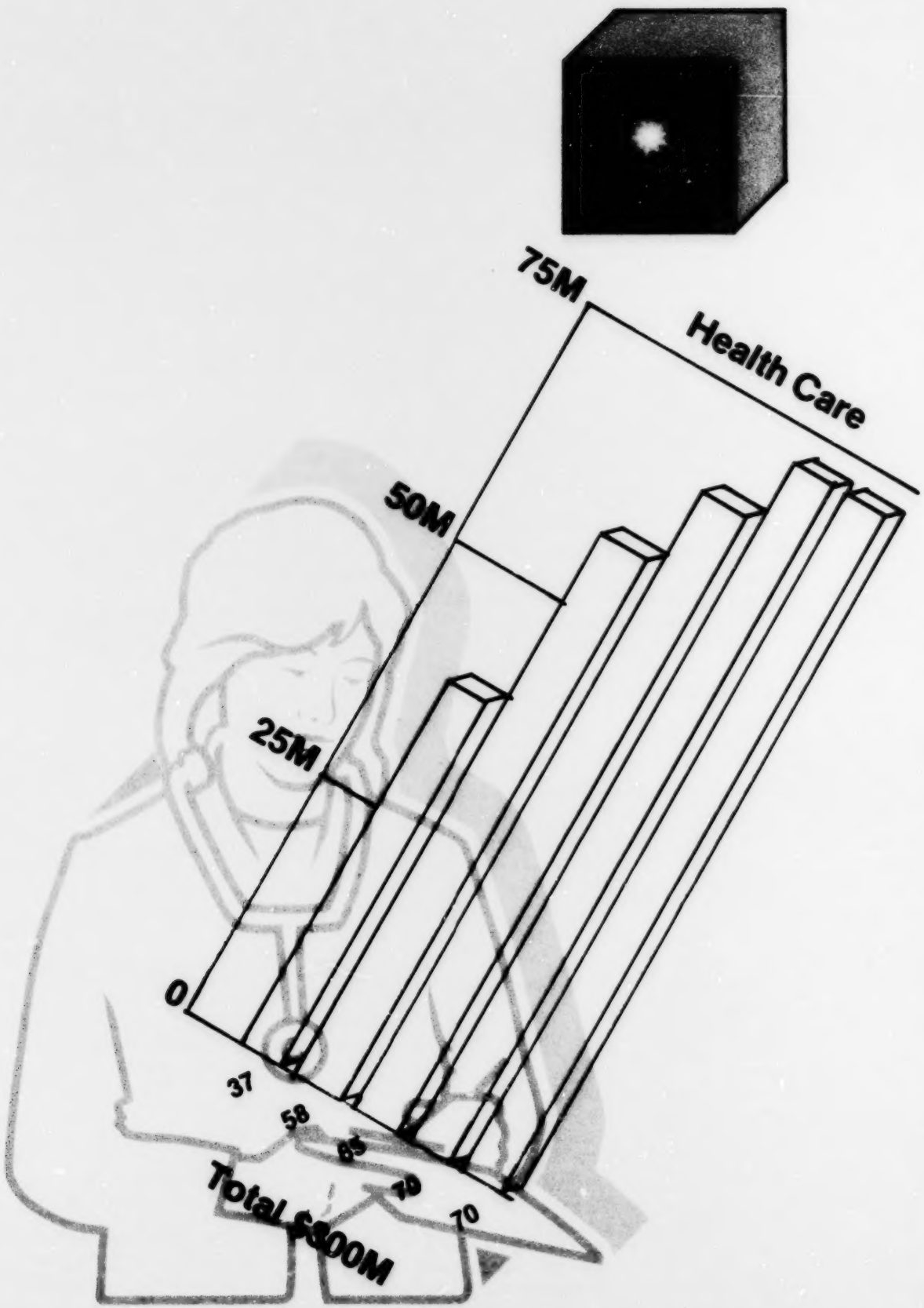

75M
Health Care
50M
25M
0
37
58
65
70
Total $300M

Health Care: The Next Five Years

Introduction

Saskatchewan has one of the best health care systems in the world, providing a comprehensive range of quality services. Our residents on average live longer, healthier lives than almost anyone else in the world.

Since 1982, the government has acted to strengthen the health care system in a number of key areas including:

- A significantly expanded pace of special care home construction;
- Approval for a new rehabilitation centre in Regina and a children's rehabilitation centre in Saskatoon;
- The addition of 650 staff in hospitals and special care homes;
- Full implementation of the provincial home care program coupled with an expansion of outreach services through special care homes;
- Improved psychiatric and cancer programs;
- Introduction of a new ambulance funding formula; and
- Implementation of a province-wide chiropody program.

Furthermore, we have placed heavy emphasis on securing public input through forums such as the Ambulance Advisory Committee and the Rural Medical Practice Committee.

Nonetheless, significant challenges lie ahead. The government is deeply committed to making further improvements in our health care system. We must develop new and innovative responses to the needs of the 1980s and beyond. To address these challenges, the government cannot proceed alone. What is required is a commitment by all participants in the health care system to work together in a creative and collaborative way.

Future Challenges

The health care system has moved through several periods of evolution and adaptation. The introduction of hospital insurance and medicare are usually noted as the most historic and dramatic developments in this evolution. However, the issues and opportunities of the 1980s and 1990s will represent an equally important turning point in the development of health care in this province.

Meeting the health needs of an aging population is one of the most important challenges we will face in future years. Saskatchewan has one of the highest proportions of residents 65 and over in Canada. Ten percent of this group is now over 85 years of age and this percentage is growing steadily.

This is a tribute to the success of our health system. However, it is this group that places the very heaviest demand on services, particularly our high cost institutional programs.

Of the total 1985-86 Health budget, 43 percent, or about $470 million, will be spent on services for senior citizens. People aged 65 and over use 49 percent of all hospital patient days, 90 percent of our special care home beds and about 23 percent of all physician services, even though this group makes up just 12 percent of the population.

We must ask whether this use of

institutional services by senior citizens is both a sustainable and appropriate direction for the future. We need to help our seniors remain active and independent as long as they possibly can. Enhancing the quality of life of our seniors will be a major challenge of the future.

B. Advances in Technology

Tremendous advances have occurred in medical technology over the last twenty years. These developments have been accompanied by demands for sophisticated equipment as well as medical specialists to perform the new procedures.

In the past, Saskatchewan took a "go-slow" approach to the introduction of new technology. The result is a backlog of needed equipment which this government believes must be addressed.

Certain medical specialists are often in short supply and new equipment is expensive and can become outmoded rapidly. What is required is a forward-thinking strategy to ensure that timely, appropriate and effective use of new technology will occur in the years ahead.

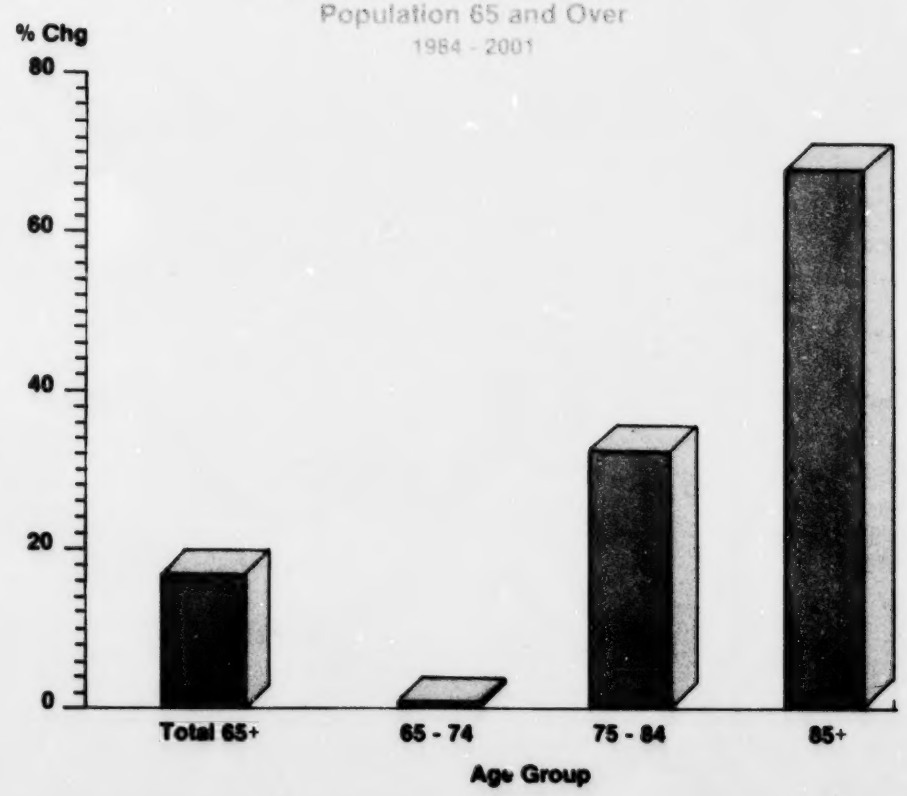
C. The Fiscal Context

Saskatchewan people traditionally have expected a lot in terms of provincial health coverage. In 1984-85 health expenditures surpassed the $1 billion mark, accounting for about 30 percent of all provincial government spending. Health continues to be one of the fastest growing components of provincial expenditures. Over the past five years, the health bill has increased at twice the rate of the consumer price index.

Increases in health spending are largely the result of two factors:

- **New and Improved Services** - the government is committed to introducing new services which reflect the changing health care needs and expectations of the Saskatchewan public. We must also be concerned with maintaining and improving our existing system, particularly those areas such as hospital and special care home facilities which did not receive the attention they should have in the past.
- **Increased Utilization of Services** - people in Saskatchewan are using more and

Percent Change in Proportion of Population 65 and Over
1984 - 2001



more health services every year. The average number of physician services provided annually has risen from 7 to 10 per person over the last 10 years. Similarly, there has been a 34 percent increase in the number of prescriptions provided under the Saskatchewan Drug Plan since it began in 1974.

Overall, the challenge is clearly one of developing new ways of managing these pressures while at the same time moving forward in an innovative new direction to meet emerging health care needs.

Process of Change

Improving health care in Saskatchewan is and will remain a major commitment of this government. It is important, however, that we seriously think about and plan for the kind of future we want for the health system.

In the past, health needs or problems too often have been looked at in isolation. The system has evolved in an incremental fashion in response to specific interests or demands raised by professionals, boards and consumers of health services.

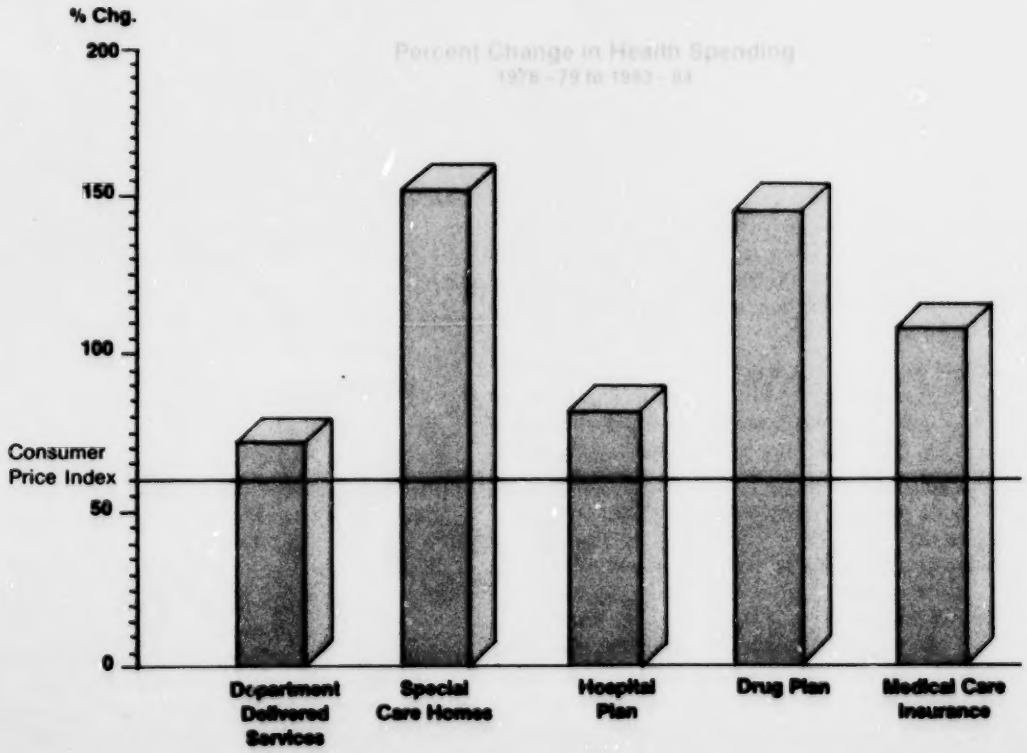
We must look at the system as a whole, and move beyond controversies or debates within its individual sectors. We need to stand back and assess where particular programs are leading, how they fit into the broader picture, and ask whether or not the present course is in tune with the real needs of Saskatchewan people today and into the future.

In order for this approach to be successful, all elements of the health care system must become involved and aware of their responsibilities. Government cannot embark on a new direction on its own. What is needed is an integrated planning process which involves all participants looking beyond individual interests and working together co-operatively. This will require all of us to be adaptable to change, flexible in our approaches and forward-looking in our thinking.

The Next Five Years

The health care system must be prepared to meet the challenges ahead at a cost which society can afford. Several themes are apparent in developing a future direction for health care in the province:

- We must seek increased responsibility by consumers and providers for ensuring that services are utilized appropriately and wisely;
- We must become increasingly innovative in developing effective management and better co-ordination of health services at the delivery level;



- We must ensure the enhancement of services to senior citizens as well as other groups which have special health care needs;
- We must see that new technology is used effectively and introduced in a timely fashion; and
- We must provide a long-term commitment to the renovation and renewal of our health care facilities.

Each of these themes must be examined in close partnership with health care providers and consumers. The Minister of Health will be consulting with health care groups on these issues.

However, we view the last of these themes as a matter of urgent concern. Therefore, as a first step in striking a future direction for health care, the government is establishing a **Health Capital Fund** to finance a major renewal of our facilities.

Over the next 5 years, we will provide $300 million for facility renovation and construction - a pace of facility renewal unprecedented in this province's history.

Major features of the new Health Capital Fund will be:

- A five-year planning horizon within which hospitals, local communities and government can more reasonably develop capital plans and financing;
- Continued community participation in capital funding to complement the government's major financial contribution;
- A balance between the need to upgrade hospitals in our larger centres, particularly our base hospitals, with the need to improve facilities in rural areas; and
- Continuation of the government's five-year plan for special care home construction.

In 1985-86, the Health Capital Fund will provide $36.9 million for facility construction. The government's annual commitment will subsequently increase to $70 million as construction starts on a number of new projects.

The Minister of Health will be announcing the projects for 1985-86 shortly. These will include initiatives both in our major centres, and in smaller communities across the province.

The Health Capital Fund represents a substantial and unprecedented commitment to renewal and expansion of health care facilities. Furthermore, this initiative reflects the need for renewal of facilities throughout the province - both for our major referral centres in terms of improved facilities and an expanded number of beds, and for our smaller communities where we will respond to changing health care needs.

Conclusion

While the challenges in health care are great, this government is prepared to move forward in partnership with health care providers to ensure that Saskatchewan is a national innovator in health care delivery.

The Minister of Health will be undertaking extensive consultations over the next year to establish a broad consensus on future directions and priorities for health services within the province. Our success in developing an effective, yet affordable plan, will depend greatly on the co-operation and commitment of the many groups and individuals who participate in the health system today.

For further information call or write:

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